



ERM Power Limited
Level 3, 90 Collins Street
Melbourne VIC 3000
ABN 28 122 259 223

+61 3 9214 9333
ermpower.com.au

Thursday, 14 January 2021

Mr Graham Mills
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

By email: <https://www.aemc.gov.au/contact-us/lodge-submission>

Dear Mr Mills

RE: ERC0313 – Semi-scheduled generator dispatch obligations

ERM Power Retail Pty Ltd (ERM Power) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) draft Rule Determination on proposed amendments to the National Electricity Rules (NER) to clarify obligations applying to semi-scheduled generators in the National Electricity Market.

About ERM Power

ERM Power (ERM) is a subsidiary of Shell Energy Australia Pty Ltd (Shell Energy). ERM is one of Australia's leading commercial and industrial electricity retailers, providing large businesses with end to end energy management, from electricity retailing to integrated solutions that improve energy productivity. Market-leading customer satisfaction has fueled ERM Power's growth, and today the Company is the second largest electricity provider to commercial businesses and industrials in Australia by load¹. ERM also operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland, supporting the industry's transition to renewables.

<http://www.ermpower.com.au>

<https://www.shell.com.au/business-customers/shell-energy-australia.html>

General comments

ERM Power considers that semi-scheduled generators should meet their bids in good faith and as such, supports the AEMC's preferable draft Rule. We consider that requiring semi-scheduled generators to follow their available resource, except during a semi-dispatch interval when the semi-scheduled generators active energy output is limited to a cap set by AEMO, is a sensible approach. We agree that the proposed more focused rule change is a preferable approach rather than larger structural changes such as removing the semi-scheduled registration classification. Matters related to the efficient integration of intermittent generation are better achieved through other market reforms currently being canvassed.

We believe the outcome achieved by this draft rule change was the clear intent of the 2008 rule change which required semi-scheduled generators to submit rebids when moving capacity between price bands. The 2008 final determination noted that "*the Commission believes the re-bidding provisions should apply equally to all Generators as these provisions provide an important safeguard to protect the integrity of the central dispatch process.*"²

¹ Based on ERM Power analysis of latest published information.

² Page 40 AEMC Final Determination – Central Dispatch and Integration of Wind and other Intermittent Generation May 2008



However, we note that there has been some ambiguity around the intention of the NER for semi-scheduled generation dispatch which has likely contributed to the observed behaviour of some semi-scheduled generators significantly deviating from their dispatch instructions without rebidding. ERM Power agrees that this behaviour has subsequent impacts on both secure operation of the power system, in particular maintaining flows across network elements within limits and the dynamic efficiency of the dispatch engine and could result in the price not being set correctly based on actual supply side bids. Any mispricing of the market is not in the long-term interests of customers, and with semi-scheduled generators increasingly operating to maximise commercial incentives rather than just full resource availability, economic efficiencies need to be fully considered. We consider that the draft Rule will remove this ambiguity and provides clarity that semi-scheduled generators can't curtail generation in response to price without an updated dispatch instruction from AEMO.

The AEMC proposes that the obligations commence 30 days after publication of the Final Rule. ERM Power agrees that this provides sufficient time for procedures adopted by some semi-scheduled generators related to negative price curtailment to be amended.

Clarification of definition of semi-dispatch interval

ERM Power considers that the objective of the Rule Change could be further met through amending the definition of the *semi-dispatch interval* in Chapter 10 of the NER to provide some clarity that a semi-scheduled generating unit's *dispatch offer* prevails over the *unconstrained intermittent generation forecast*.

The current Draft Determination only considers the question of a semi-scheduled generating unit's active energy output aligning with its intermittent energy resource availability. We consider a semi-scheduled generator's *dispatch target* must also take into account a semi-scheduled generator's current *dispatch offer* which should result in a reduction in active energy output when the prevailing *regional reference price* is equal to or less than the semi-scheduled generators current *dispatch offer*, unless output from the semi-scheduled generating unit is subject to a *network constraint* that requires the output from the semi-scheduled generator to be *constrained on*.

We are proposing the *semi-dispatch interval* definition should be amended (suggested amendment in red) as follows:

For a *semi-scheduled generating unit*, a *dispatch interval* for which either:

- (a) a *network constraint* would be violated if the *semi-scheduled generating unit's generation* were to exceed the *dispatch level* specified in the related *dispatch instruction* at the end of the *dispatch interval*; or
- (b) **where a *semi-scheduled generating units current dispatch offer* submitted in accordance with clauses 3.8.6, 3.8.9, 3.8.19 or 3.8.22 results in** the *dispatch level* specified in that *dispatch instruction* is less than the *unconstrained intermittent generation forecast* at the end of the *dispatch interval*.

and which is notified by AEMO in that *dispatch instruction* to be a *semi-dispatch interval*.

We consider that the suggested amendment is required to provide clarity and confidence to the market that *dispatch offers*, submitted by semi-scheduled generators, must be taken into account by AEMO when calculating a semi-scheduled generators dispatch target. Currently it is unclear from AEMO's Operating Procedure SO_OP_3705 – Dispatch that this is the case.



ERM Power considers that this amendment would further support the objective of the Rule Change as it provides further transparency that a reason a semi- scheduled generator dispatch is below the unconstrained intermittent generation forecast and available intermittent energy resource may be due to a semi-scheduled generators current bid/offer. That is, a semi-scheduled dispatch target must also be based on its current *dispatch offer* submitted in accordance with clauses 3.8.6, 3.8.9, 3.8.19 or 3.8.22 of the NER.

Please contact Carmel Forbes at carmel.forbes@shell.com or 07 3364 2404 if you would like to discuss any points in our submission further.

Yours sincerely,

[signed]

Libby Hawker
Senior Manager – Regulatory Affairs
03 9214 9324 - LHawker@ermpower.com.au